

**MINUTES OF THE
JOINT CAPITAL FACILITIES & ADMINISTRATIVE SERVICES
APPROPRIATIONS SUBCOMMITTEE
MONDAY, FEBRUARY 3, 2003 - 2:00 P.M.
Room 403, State Capitol Building**

Members Present: Sen. Beverly Evans, Committee Co-Chair
Rep. Loraine T. Pace, Committee Co-Chair
Sen. Greg Bell
Rep. Roger Barrus
Rep. Ralph Becker
Rep. DeMar "Bud" Bowman
Rep. D. Gregg Buxton
Rep. David Clark
Rep. Stephen Clark
Rep. Wayne Harper
Rep. Brent H. Goodfellow

Members Excused: Sen. Mike Dmitrich

Staff Present: Kevin Walthers, Fiscal Analyst
Jonathan Ball, Technology Analyst
Bonnie Brinton, Committee Secretary

List of those also present: Steve Saltzgiver - Director, Fleet Operations and Surplus Property
David Hart - Director, Capitol Preservation Board
David Fletcher - Deputy Director, Administrative Services
Mike Chabries - Executive Director, Corrections
Chris Mitchell - Deputy Director, Corrections
GaeLyn DeLand - Director, Information Technology, Corrections
Camille Anthony - Executive Director, Administrative Services
David Lamb - Deputy Director, Administrative Services
Stephen Fulling - Director, Information Technology Services
Kim Thorne - Director, Finance

List of others present on file.

Co-Chair Pace called the meeting to order at 2:10 p.m.

1. Fleet Operations

Co-Chair Pace presented a short biography of Steve Saltzgiver, Director.

Mr. Walthers, Fiscal Analyst, stated that the Division of Fleet Operations also includes the State and Federal Surplus Property programs, which were housed in the Division of

Purchasing and General Services prior to 1996.

Regarding General Fund borrowing, the Analyst explained that during the 1999 General Session, the Legislature appropriated \$4 million of ongoing General Fund to reduce the growth of General Fund borrowing. This allocation of funds has been shifted to more pressing needs. Without a General Fund subsidy, agencies will need to find funds to cover the full cost of vehicle ownership. Options for increasing rates have been considered.

Intent language included in the 2002 Appropriations Act required a five percent reduction in fleet size with the exception of the Department of Public Safety.

Last year the Analyst expressed concern that Administration overhead appeared to be growing faster than programs. With adjustments made within the administration program, the Division maintains an overhead factor of less than two and a half percent. He feels the administrative costs are fairly well contained.

Mr. Walthers stated that for Fiscal Year 2003, he supports the Division's request for authority to purchase replacement vehicles in an amount not to exceed \$17,948,600 subject to the availability of working capital. Absent any other mechanism, the majority of the funding for fleet capitalization will come from General Fund borrowing.

The Analyst discussed DFO Report Cards and stated that almost every agency has improved performance.

Regarding Fleet reduction progress, Mr. Walthers explained that the Legislature approved intent language which would give agencies and higher education institutions until June 30 to provide a five percent reduction. He stated that the Division of Fleet Operations is designed as a service agency, not an enforcement agency; and that an audit may be required to ensure compliance with this reduction. To provide a window of opportunity for agencies to ensure compliance, the Analyst recommends approval of intent language which will require agencies and institutions to reconcile fleet counts with the Division of Fleet Operations at the same time as they meet the requirement for a five percent reduction as required in the 2002 Appropriations Act.

To ensure that agencies reduce ongoing costs, the Analyst also recommends adoption of clarifying intent language regarding reductions in vehicles scheduled for replacement and the use of vehicles classified as "specialty" or "construction" vehicles.

Mr. Walthers expressed concern that another anomaly in the language passed last year is that the exemption for "sworn officers" effectively removed the entire Department of

Public Safety from the reduction requirement. He feels that even for this Department, there is potential to find savings in operating budgets through better fleet management. While other agencies are reducing vehicle counts, the DPS actually requested permission to expand fleet size with no limit other than a requirement to find non-state funds for capitalization costs. The Analyst believes this runs counter to Legislative goals for fleet control and consolidation and recommends that this language not be renewed for FY 2004.

The Analyst discussed the Fuel Network/Management Information System. He stated that he supports the agency request for \$275,000 in Capital Outlay. He explained the following three areas:

- *Card Readers* - This system collects data on fuel efficiency and utilization. There is a need this year to replace ten readers at a total cost of \$75,000.
- *Tank Monitor Replacements* - This year replacements and upgrades are expected to cost \$100,000.
- *Pathway Plus* - This is an automatic inventory and compliance system for all fuel sites. To make the system fully functional 82 dispensers must be upgraded at a total cost of \$100,000.

Regarding the Federal Surplus Program, Mr. Walthers stated that Federal Surplus losses are growing, and rates charged since 1998 have failed to recover sufficient amounts to cover operating expenses. In response to continuing and growing losses in this Program, the Legislature approved intent language requesting a report outlining options for Federal Surplus Property. At the time of the interim report the DAS reported revenue of \$385,000 from 29,477 donations to 222 donees. According to the report, the value of the donations totaled nearly \$8.4 million. This means that the Federal Surplus Program receives approximately 4.6 percent of total value in return for providing surplus property. The Analyst stated that his concern regarding solvency for the program continues.

Regarding the State Surplus Property Program, Mr. Walthers stated that last year he expressed concern with the long term viability of this Program. Unlike the Federal program, the State Surplus Program is now showing signs of profitability and will be able to begin rebating earnings to state agencies in FY 2005.

Mr. Saltzgiver testified that he is in agreement with the Analyst's explanation and recommendations regarding the Department of Fleet Operations. He stated that he is grateful for his outstanding staff which, through cost-effective procedures, are providing saving to the State. Committee members asked questions and requested a copy of an executive summary of this Division showing statistics on vehicles. Mr. Saltzgiver responded to these questions and stated that he would provide this information. Rep.

Mr. Saltzgeber commented on the Federal Surplus Property Program and stated that the State may become a federal government repository for surplus property. He feels the quality of the property is declining. However, expenses have dropped and he sees the Division going in a positive direction. A decision must be made in the next 18 months whether to keep the surplus property programs or not.

Co-Chair Pace complimented the Director for the excellent work of the Division.

MOTION: Sen. Bell moved to accept the Analyst's recommended budget for the Department of Fleet Operations in the amount of \$39,533,800, with total FTE of 47.

The motion passed unanimously.

MOTION: Rep. Bowman moved to accept the following intent language:

It is the intent of the Legislature that every department of State government and the Utah System of Higher Education (Including UCAT) provide written confirmation of fleet size and composition to the Division of Fleet Operations no later than June 30, 2003. It is further the intent of the Legislature that the Division of Fleet Operations reconcile fleet counts to the statewide Fleet Anywhere Database to use as a baseline for future analysis and potential audit of fleet size and composition.

The motion passed unanimously.

MOTION: Rep. Becker moved to accept the following intent language:

It is the intent of the Legislature that agencies shall comply with the five percent fleet reduction as directed in Senate Bill 1, 2002 General Session through reductions in vehicles scheduled for replacement. It is further the intent of the Legislature that agencies shall not use vehicles classified as "specialty" or "construction" vehicles in meeting the five percent figure.

The motion passed unanimously.

2. Capitol Preservation Board

Executive Director, David Hart, was introduced. His staff includes a permanent administrative assistant and a much needed office employee. FTE for this Board is listed at only two, but the office employee is funded out of savings.

Mr. Walthers explained the makeup of the Capitol Preservation Board. It is a joint effort of all three branches of government and the private sector. He stated that as part of statewide budget reductions, the CPB Executive Director negotiated reduced services with DFCM.

Mr. Hart has been designated as the Architect of the Capitol. This immediately saved several hundred thousand dollars in fees and gave the Board a more effective tool to ensure that the State receives the best value for the restoration project. Rep. Becker stated that in reviewing this project, he feels that the State is very fortunate to have Mr. Hart as the Executive Director and expressed appreciation to him for his willingness to put aside his successful and lucrative career to serve the citizens of the State.

The Analyst stated that the expansion buildings offer the best value for the State rather than the lowest cost alternative for the restoration project. In effect, the State is gaining \$40 million of value for approximately a quarter of that amount.

As part of the Capitol Restoration project, the Analyst proposes intent language stating that the Capitol Preservation Board be allowed to use carry-forward funds to offset costs associated with the project.

Mr. Hart stated that he concurred with the Analyst regarding the budget for the Board.

Rep. Becker asked if the Analyst's budgets contain the two percent reduction in funds proposed by the Executive Appropriations Committee. Mr. Walthers confirmed that they do not. This cut has not been approved yet.

MOTION: Rep. Becker moved to accept the Analyst's recommended budget for the Capitol Preservation Board in the amount of \$2,540,100, with total FTE of two.

The motion passed unanimously.

MOTION: Rep. Buxton moved to accept the following intent language:

It is the intent of the Legislature that funds for the Capitol Preservation Board shall not lapse and that those funds shall be used for the design and construction costs associated with Capitol restoration.

The motion passed unanimously.

The Chairs asked Mr. Hart to postpone the presentation by the Capitol Preservation Board

until a later time. Co-Chair Pace commended Mr. Hart on his significant contribution to the State.

3. IT Project Review

Jonathan Ball, Technology Analyst, introduced the Statewide Information Technology Review. He stated that the State's Chief Information Officer estimates that more than \$125 million will be spent on information technology in FY 2003. He referred to a chart listing the Total IT Budget and the each Department's appropriation.

Mr. Ball identified the issues regarding IT and discussed each one. The first was mandated IT savings. The State's CIO was directed to identify \$2 million in savings state-wide, but such savings were not identified. Instead, the budget cut was allocated to programs throughout State government.

The second issue was Enterprise IT Management. A plan was developed to reorganize information technology resources putting greater emphasis on enterprise-wide projects. The changes in some cases redirected agency resources and in others added responsibility to already stretched resources.

Third, eliminating the subsidization of the CIO by Executive Branch Agencies is an issue. Mr. Ball is recommending replacing this revenue transfer with General Fund resources in FY 2004. The Analyst further recommends moving the CIO into a separate line-item to provide greater financial accountability.

The next issue was regarding eRep, the Electronic Resource and Eligibility Project. This is an integrated system for determining social service program eligibility and managing government support for families and individuals. The Analyst recommends continued Legislative support for this program.

MOTION: Sen. Evans moved to accept the Analyst's recommendations for General Fund, One-time funding for eliminating subsidization of CIO by Executive Branch Agencies in the amount of \$152,000; and TANF Reserve Funds for the Electronic Resource and Eligibility Project (eRep) in the amount of \$3,000,000.

David Fletcher, Deputy Director of Administrative Services, responded to questions from Committee members and stated his support for the Analyst's recommendations.

The motion passed unanimously.

Fifth, the Analyst discussed maximizing Federal E-Rate reimbursements. The Federal E-

Rate program reimburses schools and libraries for internet access costs. The Analyst recommends improving coordination of E-Rate data collection and more aggressively pursuing end-to-end Internet services.

MOTION: Sen. Evans moved to direct this Committee to draft a letter to State school officials requesting collection of telecommunications cost data and investigation of using surveys to determine school lunch eligibility.

The motion passed unanimously.

Mr. Ball stated that Kim Thorne, Director of Finances, had already presented information regarding the status of the new Statewide Payroll System; and he would not revisit that issue.

The last issue in this Review is the Sale of the State Computer System. The Utah Department of Corrections has developed a data base and associated application for tracking inmates, parolees, and other offenders. Corrections proposes selling a portion of this system to the State of Idaho for \$100,000. The Analyst does not oppose this sale, but has questions regarding the implications of selling the State's intellectual property without budgetary review. He stated that he felt this was a policy issue rather than a budget issue, and that John Fellows is trying to find a sponsor for a bill to address this issue.

Mike Chabries, Executive Director, Chris Mitchell, Deputy Director, and GaeLyn DeLand, Director, Information Technology, Corrections, presented information and responded to questions from Committee members.

Two graphs were distributed showing O-Track (Offender-Tracking System) Added Value and O-Track Funding. Mr. Chabries stated that the State of Utah had combined with other states to produce the O-Track system. There is at the present time no resources to complete the system, and the Idaho money will enable them to finish a module. There is no financial accounting as Idaho will pay "in kind".

The Corrections Department would like to develop a system which would nationally track offenders. This would provide a valuable service to the nation. Funding needed would be \$10 million, and the Department is looking for homeland security money and other sources of money.

Rep. D. Clark questioned the correctness of being paid \$100,000 "in kind" for the over \$12 million cost of developing this system.

MOTION: Co-Chair Evans moved to direct the State Computer System to provide an interim master study resolution.

Mr. Ball reminded Committee members of the issues of funding for O-Track and how the State handles the sale of intellectual property rights.

Co-Chair Evans withdrew her motion.

Sen. Bell stated his opinion that the Department of Corrections should find the resources necessary with ITS or other agencies to help resolve issues and find solutions so that this system might be used.

Rep. Harper commended Mr. Chabries for coming to the Department of Administrative Services to try to get help and encouraged him to continue to seek solutions.

Camille Anthony, Executive Director, Administrative Services, declared a conflict of interest as she worked with the project for ten years. She stated her support for the system.

Mr. Chabries stated that he did not appear before this Committee to ask for a bond. He came to give a progress report on the system they have developed in response to a request by the Analyst.

Rep. S. Clark commended Mr. Chabries and encouraged him to continue his efforts.

4. ITS

Co-Chair Pace presented a short biography of Stephen Fulling, Director.

Mr. Fulling thanked the Committee for coming to his department on the tour. He distributed a handout entitled, "ITS Business Overview: A Day in the Life of ITS" and discussed the contents.

Mr. Ball thanked Mr. Fulling and Ms. Anthony for their help in the interim in arriving at the recommendations he has made.

Mr. Ball is recommending \$56,378,400 in revenue, a \$737,000 reduction in capital outlay, and 240 FTE for ITS in FY 2004. The Analyst further recommends reducing the universal rate for telephone service by \$1 per month, transferring the Automated Geographic Reference Center to a separate line-item, and refunding \$1,280,000 from ITS retained earnings to the General Fund.

One of the issues identified by the Analyst is the Legislatively Mandated Reduction of Operating Expenses. In the 2002 General Session the Legislature directed the Division of Information Technology Services (ITS) to adjust its operations sufficient to generate ongoing savings to the General Fund of \$1,280,000. The Legislature realized the savings through an appropriation of ITS retained earnings to the General Fund in fiscal years 2002 and 2003. The Analyst recommends a similar transfer for FY 2004.

The Analyst explained further that should a comprehensive rate review result in ongoing General Fund savings equal to or exceeding this amount beginning in FY 2004, he recommends intent language which would restore this FY 2004 one-time appropriation from the ITS Internal Service Fund. He believes ITS will achieve further cost savings.

Mr. Ball stated that in December, 2002, ITS reported that it had achieved costs savings in both FY 2002 and FY 2003 as mandated by the Legislature. In fact, ITS reduced its costs more than was mandated—by \$1,397,200 instead of \$1,280,000.

Ms. Anthony explained the rate committee's process of setting rates and their commitment to driving rates down.

Rep. D. Clark questioned the cost reductions and the timing involved. Mr. Fulling, David Lamb, Deputy Director, DAS, Ms. Anthony and Mr. Ball discussed this issue. The Analyst pointed out the Table on page 7 showing a schedule of the cost savings for ITS.

Rep. S. Clark suggested the Committee approve the \$1,280,000 and ask the Department to return to the Committee with information to justify the on-going funds. Mr. Ball and Ms. Anthony will work together to bring clarifying information to the Committee in the next meeting. This discussion will continue in the meeting on Wednesday.

Co-Chair Pace thanked the Analyst and the Department of Administrative Services for increasing the understanding of the Committee on these issues.

MOTION: Rep. Harper moved to adjourn the meeting.

The motion passed unanimously with Reps. S. Clark and Goodfellow absent for the vote.

The meeting was adjourned at 5:00 p.m. by Co-Chair Pace.
The minutes were reported by Bonnie Brinton

